

**SUMMARY INDEX**  
**CITY OF SANTA FÉ AUDIT COMMITTEE**  
**January 6, 2016**

<b>ITEM</b>	<b>ACTION TAKEN</b>	<b>PAGE(S)</b>
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2. ROLL CALL	Quorum Present	1
3. APPROVAL OF AGENDA	Approved as amended	1-2
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• December 16, 2015	Approved as amended	2
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7. REVIEW OF FINANCIAL REPORTS	Not reported	3
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9. INDEPENDENCE ISSUES AND ORDINANCES		
a. Revised Audit Committee Ordinance	Not Discussed	8
b. Revised Internal Audit Ordinance	Not Discussed	8
10. INTERNAL AUDIT MATTERS	Not Discussed	8
11. UNFINISHED BUSINESS	None	8
12. NEW BUSINESS	None	8
13. PUBLIC COMMENT	None	8
14. MATTERS FROM THE CITY ATTORNEY	Executive Session	8-9
15. NEXT MEETING DATE:	February 3, 2016	9
16. ADJOURNMENT	Adjourned at 3:45p.m.	9

38  
39 **MINUTES OF THE**

40  
41 **CITY OF SANTA FÉ**

42  
43 **AUDIT COMMITTEE**

44  
45 January 6, 2016  
46 2:00 p.m. – 4:00 p.m.

47  
48 **1. CALL TO ORDER**

49  
50 A regular meeting of the City of Santa Fé Audit Committee was called to order by Mr. Clark de  
51 Schweinitz, Chair on this date at approximately 2:00 p.m. in the Convention Center Administrative  
52 Conference Room, Santa Fé, New Mexico.

53  
54 **2. ROLL CALL**

55  
56 Roll call indicated the presence of a quorum as follows:

57  
58 **Members Present:**

59 Clark de Schweinitz, Chair  
60 Hazeldine Romero, Vice Chair  
61 Cheryl Pick Sommer  
62 Marc Tupler

57  
58 **Members Absent:**

59 Carolyn Gonzales, CPA (Excused)

63  
64 **Others Attending:**

65 Liza Kerr, Internal Auditor  
66 Carl Boaz, Stenographer  
67 Kelley Brennan, City Attorney  
68 Marty Mathisen, Atkinson and Company  
69 Sarah Brack, Atkinson and Company  
70 Andrew Hopkins, Finance Department  
71 Teresita Garcia, Finance Department

72  
73  
74 NOTE: All items in the Committee packet for all agenda items are incorporated herewith to these minutes  
75 by reference. The original Audit Committee packet is on file in the Audit Department.

76  
77  
78 **3. APPROVAL OF AGENDA**

79  
80 Ms. Kerr said BDD and SWMA should be removed from the agenda.

82  
83 **Member Sommer moved to approve the agenda as amended with BDD and SWMA removed**  
84 **from the agenda. Member Tupler seconded the motion and it passed by unanimous voice vote.**  
85

86  
87 **4. APPROVAL OF CONSENT CALENDAR**  
88

89 **Member Romero moved to approve the Consent Calendar as presented. Member Tupler**  
90 **seconded the motion and it passed by unanimous voice vote.**  
91

92 Mr. Hopkins excused himself from the meeting.  
93

94 Chair de Schweinitz noted that Member Gonzales wanted to talk about the CAFR with Mr. Rodriguez  
95 present. He suggested maybe doing that at the next meeting since Mr. Rodriguez was not present. He  
96 agreed to make an effort to get him here next time. The issue is about the monthly closings.  
97

98  
99 **5. APPROVAL OF MINUTES - December 16, 2015**  
100

101 Chair de Schweinitz noted on page 7 it should be how the project manager was doing with the Park  
102 Bond Audit. (Not Atkinson).  
103

104 Member Sommer said the minutes did not reflect the motion she made to go into executive session.  
105 Her motion was based on Ms. Brennan's version.  
106

107 **Member Romero moved to approve the December 16, 2015 minutes as amended. Member**  
108 **Tupler seconded the motion and it passed by unanimous voice vote.**  
109

110  
111 **6. CONSENT CALENDAR LISTING**  
112

113 **a. External Audits - Completed Audits within the Last 4 Years with Open Findings (Liza Kerr) A**  
114 **copy of the report is attached to these minutes as Exhibit 1.**  
115

116 **b. External Audits - Schedule and Status** A copy of the report is attached to these minutes as  
117 **Exhibit 2.**  
118

119 **i. CAFR 2015**  
120

121 **ii. Santa Fe Railyard 2015** A copy of the audit is attached to these minutes as Exhibit 3.  
122

123 **c. Internal Audits - Completed Audits within the Last 4 Years with Open Findings (Liza Kerr) A**  
124 **copy of the report is attached to these minutes as Exhibit 4.**  
125

d. **Internal Audits - Schedule and Status** A copy of the report is attached to these minutes as Exhibit 5.

e. **Budget Report (Andrew Hopkins)** A copy of the report is attached to these minutes as Exhibit 6.

f. **Investment Report (Helene Hausman)** A copy of the report is attached to these minutes as Exhibit 7.

## 7. REVIEW OF FINANCIAL REPORTS AND OTHER FINANCIAL MATTERS FROM THE CITY

### a. Financial Update (Oscar Rodriguez)

Mr. Rodriguez was not present to provide the Financial Update.

## 8. EXTERNAL AUDIT MATTERS

### a. Update on Park Bond Audit (Marty Mathisen and Liza Kerr)

Mr. Mathisen gave a handout to the Audit Committee members, entitled "City of Santa Fe Parks and Bonds Discussion Items — Items needed — Questions." A copy is attached to these minutes as Exhibit 8,

Mr. Mathisen said he met yesterday with Mr. David Buchholz (Bond Counsel) and his assistant. They went through a lot of the documents, both the accountants and the lawyers. They are now in the middle of test work. He set up several interviews for next week and hoped that is a good decision. They need to get through the documents as a basis to have effective interviews.

He thought they have made good progress, on the basis of talking with Mr. Buchholz.

He pointed out that in the box of his handout is the definition of capital asset.

Ms. Kerr gave him a copy of the CAFR to find the answers.

Mr. Mathisen asked if in the exit interview, they addressed the parks and bonds.

Ms. Kerr said they were looking at the 2012 Bond issue and the activity from last year.

Mr. Mathisen said in the box is the definition that is quoted on page 29 of the City of Santa Fe CAFR official federal definition for capital asset - an asset costing \$5000 or more that has an estimated useful life greater than 1 year. That is a federal law and state statute. Federal law takes precedence because the bonds are tax free. That was also quoted in the Mel Morgan memo which was a response to the request of Councilor Bushee whether the City could use bond proceeds for maintenance and labor. This memo was from Mel Morgan, but drafted by the City Attorney's office. There was a cite of federal law as

170 guidance. He believed it said that the bond could not be used for operations or maintenance. The bond  
171 could be used for capital items and capital assets. That is the federal and state law.

172  
173 You cannot use bonds for working capital under the federal rules - which is defined as anything that is  
174 not a capital asset. So bonds should have been used for capitalizable assets only including the labor it  
175 costs to install the asset they will be looking closely at this issue as they proceed with their work to  
176 determine whether this was done or not. Mr. Mathisen stated it is too early to tell what the results are  
177 going to be.

178  
179 Mr. Mathisen said they wanted to focus in on anything that might have been connected with  
180 maintenance. Early on, Robert Romero had mentioned maintenance but referred to replacement of  
181 irrigation which only fits the definition of capital asset if the cost is greater than \$5,000.

182  
183 Also, Mr. Mathisen mentioned that POSAC had various lists of concerns. There was unconfirmed  
184 information saying a certain amount of money was spent on operations at Marty Sanchez golf course that  
185 was not capital outlay. So he will be looking into this also.

186  
187 Member Tupler said he has had discussions with POSAC and some of their representatives. One  
188 distinction that needs to be made is the difference between maintenance of a park and the operations that  
189 would put that capital asset into place there. Labor can be capitalized for putting the asset into place.  
190 That issue is still open.

191  
192 Mr. Mathisen agreed. The Attorney General of the Supreme Court says that labor used to install the  
193 asset is a can be capitalized and therefore is a proper use of bond proceeds. That is allowable. And that  
194 is the main focus of their audit. He has seen other minutes where the Parks Director talked of capitalization  
195 but the term "maintenance" was used a lot in that discussion.

196  
197 According to David Buchholz, federal regulations are applicable because these are tax-free bonds.  
198 They were working on the hierarchy and that was good but the distinction between capital and  
199 maintenance is ongoing. He is trying to get a handle on anything that might be non-qualified maintenance.

200  
201 He added that POSAC is an advisory committee and they did a lot of work on it. They found at least  
202 5-6 areas on reallocation of funds that were brought to Council and approved but they were for labor.  
203 There was at least a half dozen instances and he was going to put together a time line to make sure he  
204 was not reaching. So there were approvals sought. There was also a giant BAR brought to Council for  
205 approval.

206  
207 Trails had an original budget of \$9 million but could not be built to the Santa Fe Community College.  
208 That freed up some of the bond funds. They will be looking at the questionable expenses of which there is  
209 not a huge amount but a few(?).

210  
211 He asked if there were any documents of consultation outside of bond counsel.  
212

213 Ms. Kerr said Mr. Rodriguez is the person who needs to answer those questions and unfortunately,  
214 was not at the meeting today.

215  
216 Mr. Mathisen said he has emailed and called Mr. Rodriguez. And he did help to get interviews set up.  
217 One was with Robert Romero, one with Isaac Pino, one with Mr. Chávez. He is trying for one with Bette  
218 Booth also.

219  
220 Member Tupler said Ms. Booth is in Mexico for an extended stay.

221  
222 Mr. Mathisen said he is looking for Anna Hansen as an alternative.

223  
224 Member Sommer asked if the minutes indicated that there were discussions as City Council meetings  
225 about using the money for city labor and if that was to install capital assets would not be inappropriate. Mr.  
226 Mathisen agreed.

227  
228 Member Sommer asked if the time sheets or payroll records are sufficiently specific to tell what the  
229 employees were doing.

230  
231 Ms. Sarah Brack said that might be an issue. The time sheets don't say specifically what the people  
232 were doing at the park but they do indicate what park they were working on. One of the POSAC concerns  
233 was that people worked 270 hours at the MRC (31 person-days) in a two-week period in January which is  
234 a lot in January. She asked if that would be maintenance. There was no way to tell. And in some instances,  
235 the time sheets are not detailed.

236  
237 Member Sommer assumed there was no data sheet for a supervisor telling an employee to go do  
238 something - that it was verbal and no written data sheet.

239  
240 Ms. Brack said she has not asked that but it could be a different route to go instead of the time sheet.  
241 It is possible there is some other record of what they were doing. She will definitely ask about that but,  
242 based on Mr. Rodriguez' statements, there were not specific records on what specifically the people were  
243 doing.

244  
245 Member Tupler asked if the time sheets were tied to a particular cost center or project number that  
246 would identify the park.

247  
248 Ms. Brack agreed. The park is identifiable, based on the time sheet records.

249  
250 Member Tupler asked if there was a comparison with the plan budget on certain man/hours for a  
251 specific project there that could be reconciled.

252  
253 Ms. Brack was not sure those records for a detailed project budget exist.

256 Mr. Mathisen said \$5 million of costs are identified for labor (10%) and there were six or seven higher  
257 level administrative people in charge of the bond and then a group of 29 temporary employees. The lion's  
258 share of \$5 million was hiring contractors - landscapers. So what the 29 people were doing is in question.  
259 Then there is discussion if they were pumping money into the economy with hiring those people.

260  
261 So Mr. Mathisen said they need more information and will be paying close scrutiny to this issue.

262  
263 Ms. Kerr asked if the \$5 million is identified as payroll.

264  
265 Mr. Mathisen said no; more is coming out of that for landscaper contracts.

266  
267 Ms. Garcia arrived at 2:37.

268  
269 Ms. Garcia said they didn't find anything unusual. It was just for 2015.

270  
271 Ms. Brack asked if the City has changed any [financial] procedures based on the recommendations of  
272 the REDW report.

273  
274 Ms. Garcia said they have. They used to just say okay for payment. Now the PO has to be signed at  
275 the bottom by the person who received it (the shipment of goods). They have also directed how the files  
276 should be set up as project files.

277  
278 Mr. Mathisen asked if they were all capitalized.

279  
280 Ms. Garcia said they were. If the expense was just maintenance and repairs, it was not taken from  
281 bond funds.

282  
283 Member Sommer asked how Staff decided on those not charged to capital.

284  
285 Ms. Garcia said if the project was over \$5,000 they just capitalized all of it. If the project was under  
286 \$5,000, they did not capitalize it. They separated funds by business units and if there were additional  
287 funds, the whole project was included in the \$5,000 floor.

288  
289 Mr. Mathisen said the City used BARs to go from one park to another, if they needed more funds. He  
290 asked how those decisions were made.

291  
292 Ms. Garcia said the bond allocation was to the different parks. If it was under \$50,000, the City  
293 Manager could approve it; if greater \$50,000, it went to Council. The adjustment was sent to DFA.

294  
295 Member Sommer said there were two for \$10,000.

296  
297 Ms. Garcia said they followed the same procedure. Regarding capitalization - that created the problem  
298 for the labor. "We capitalized labor and that caused confusion. We had to attach the labor to the parks, not

299 just have a total for labor.”

300  
301 Ms. Kerr asked if there was an effort to distinguish what labor was putting an asset into place versus  
302 just for maintenance. What piece of it was not capitalized?

303  
304 Ms. Garcia said that is an accounting function which is a cash basis. They have no concept of what is  
305 accrual basis. They get lost on June 30 when it is moved to capitalized asset. They (City Council) don't  
306 have any concept of what capitalization means.

307  
308 Ms. Brack noted there are five years of activity. She asked if Ms. Garcia is able to discern what is used  
309 to improve the park vs. what is maintenance afterwards.

310  
311 Ms. Garcia said if it is maintenance, it is charged to maintenance and repair. It is done by PO. At that  
312 time, it is determined if it is maintenance. But at the bottom it is either maintenance or capitalization.

313  
314 Ms. Brack pointed out that payroll is not tied to a PO. She asked what they do if there is a mix in the  
315 payroll.

316  
317 Ms. Garcia said when they analyze the fund they go to the capital assets and attach it to the asset.  
318 They don't mix capital with maintenance. They usually do that when the project is completed.

319  
320 Member Sommer asked who did the analysis.

321  
322 Ms. Garcia said it is done at several points. The first is when it is budgeted and they contact the project  
323 managers to ask what is going to be used for. Next is when the POs are put together it is determined by  
324 the financial analyst at that level. And then at the end of the year when they have to capitalize those assets  
325 it is done again to decide if they have to reclassify those expenditures or not and we look at the fund as a  
326 whole and do the General Ledger on June 30. On June 29, they run the expenditure report and then  
327 capitalize on June 30.

328  
329 Mr. Mathisen said he and Sarah have made good progress and he has a good feel for most of the  
330 issues.

331  
332 Ms. Kerr asked when Mr. Buchholz was going to give him some kind of hierarchy or come to a decision  
333 about the rest of this.

334  
335 Mr. Mathisen said yesterday, Mr. Buccholz said the hierarchy doesn't seem to be of any concern to  
336 them. It was just the consideration of federal law.

337  
338 Ms. Kerr asked what that meant.

339  
340 Mr. Mathisen said he was just quoting what he said. The State Auditor said they wanted it analyzed by  
341 the hierarchy of laws for bonds and decide what is the controlling statute in the hierarchy. If there was a



342 conflict in the relevant laws, they needed to analyze to see which one controlled.

343  
344 There were no other questions for Mr. Mathisen and Ms. Brack and they departed at 2:54 p.m.

345  
346 Ms. Brennan arrived at 2:56 p.m.

## 348 349 **9. FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCES**

350  
351 **a. Update on revised Audit Committee Ordinance (Kelley Brennan)**

352  
353 **b. Update on revised Internal Audit Ordinance (Kelley Brennan)**

354  
355 Ms. Brennan apologized that she had not reviewed the ordinances yet.

## 356 357 358 **10. INTERNAL AUDIT MATTERS (Liza Kerr)**

359  
360 There were no further Internal Audit matters.

## 361 362 363 **11. UNFINISHED BUSINESS**

364  
365 There was no unfinished business.

## 366 367 368 **12. NEW BUSINESS**

369  
370 There was no new business.

## 371 372 373 **13. PUBLIC COMMENT**

374  
375 There were no public comments.

## 376 377 378 **14. MATTERS FROM THE CITY ATTORNEY (Executive Session)**

379 **Pursuant to the New Mexico Open Meetings Act §10-15-1(H)(2) NMSA 1978, Discussion**  
380 **Regarding Limited Personnel Matters, Relating to the Investigation of Complaints Made Against**  
381 **Individual Public Employees Via the City's Fraud, Waste and Abuse Hotline (Liza Kerr; Kelley**  
382 **Brennan)**

383  
384 Member Sommer asked Mr. Brennan about the language for the motion, mentioning that Mr. Boaz  
385 used the language from the statute.

386  
387 Ms. Brennan thought she had referenced the section of the statute that she was using. She asked that  
388 her language be used because it references what is on the agenda.  
389

390 **Member Sommer moved that the Audit Committee go into executive session to discuss the**  
391 **matters listed on the agenda in accordance with the recommendation of the City Attorney. Member**  
392 **Tupler seconded the motion and it passed by unanimous roll call vote with Members Tupler,**  
393 **Sommer, Romero and de Schweinitz voting in favor and none voting against.**  
394

395 The Committee went into executive session at 3:00 p.m.  
396

397 **At 3:45 p.m. Member Sommer moved that the Audit Committee come out of executive session,**  
398 **stating for the record that the discussion in executive session was limited to the matters listed on**  
399 **the agenda. Member Romero seconded the motion and it passed by unanimous roll call vote with**  
400 **Members Sommer, Tupler, Romero and de Schweinitz voting in favor and none voting against.**  
401

402 Upon ending the return to open meeting, Chair de Schweinitz announced that during the executive  
403 session, no actions were taken and the only matters discuss were those allowed under Section 1015-1 (H)  
404 (2), NMSA 1978.  
405

406  
407 **15. NEXT MEETING DATE – Wednesday, February 3, 2016**  
408

409  
410 **16. ADJOURNMENT**  
411

412 Having completed the agenda and with no further business to come before the Audit Committee, the  
413 meeting was adjourned at 3:45 p.m.  
414

415 Approved by:  
416

417  
418 \_\_\_\_\_  
419 Clark de Schweinitz, Chair  
420

421 Submitted by:  
422

423  
424 \_\_\_\_\_  
425 Carl Boaz for Carl G. Boaz, Inc.